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## Agenda Item 6c

June 13, 2011

### TO: MEMBERS OF THE FINANCE COMMITTEE

- I. **SUBJECT:** Fiscal Year (FY) 2010-11 Third Quarter  
Delinquency Report
- II. **PROGRAM:** Systemwide
- III. **RECOMMENDATION:** Information Only
- IV. **ANALYSIS:**

An enhanced system to track long-term receivables is currently being built as part of the Financial System Integration into the Pension System Resumption Project. To ensure adequate tracking of delinquencies is performed, staff has developed an interim process which coordinates the tracking of all delinquencies from the CalPERS program areas. Delinquencies are defined as those receivables which are past due over 30 days from the date at which the originating program identifies them as due.

This agenda item represents the FY 2010-11 Third Quarter Delinquency Report.

### V. HIGHLIGHTS:

CalPERS has now established procedures to improve accountability, identify issues which require escalation, produce detailed reports, and has taken a proactive approach to addressing delinquencies.

Chart 1 on the following page provides a detailed summary of delinquencies identified by programs and the age of the delinquency for the third quarter of FY 2010-11.

Delinquencies are categorized into four main areas: Health, Employer, Member, and Other. The divisions responsible for collection in each area are listed below Chart 1. The age of delinquency categories are consistent with industry best practices.

Chart 1

FY 2010-11 Third Quarter Delinquencies					
Age of Delinquency	Health <sup>1</sup>	Employer <sup>2</sup>	Member <sup>3</sup>	Other <sup>4</sup>	Totals
31-60 Days	\$193,223	\$523,315	\$13,345	\$3,451	\$733,334
61-90 Days	96,254	137,268	62,453	21,686	317,661
91-120 Days	30,368	150,928	0	0	181,296
121 Days-1 Year	48,357	412,072	345,648	11,744	817,821
1-3 Years	66,945	48,424	245,715	1,304	362,388
3-5 Years	11,808	2,138	484	0	14,430
> 5 Years	12,651	0	8,045	0	20,696
Totals	\$459,606	\$1,274,145	\$675,690	\$38,185	\$2,447,626

1-Fiscal Services Division, Health Benefits Branch, Member Services Division

2-Fiscal Services Division, Member Services Division

3-Fiscal Services Division, Benefit Services Division, Member Services Division

4-Fiscal Services Division

At the request of the Board, a more detailed chart of the delinquencies in each area has been provided in Attachment A.

Below is a brief summary outlining significant attributes related to the Third Quarter Delinquency Report for FY 2010-11.

- Outstanding delinquencies have increased by approximately \$702,085 or 40.22 percent since the last quarterly report.
- Delinquent Health receivables total \$459,606 or about 18.78 percent of the total delinquencies being reported and have increased by 63.62 percent since the last quarterly report.
- Delinquent Employer receivables total \$1,274,145 or about 52.06 percent of the total delinquencies being reported and have increased by 68.99 percent since the last quarterly report.
- Delinquent Member receivables total \$675,690 or about 27.60 percent of the total delinquencies being reported and have increased by 0.19 percent since the last quarterly report.
- Delinquent Other receivables total \$38,185 or about 1.56 percent of the total delinquencies being reported and have increased by 5.36 percent since the last quarterly report.

At the request of the Board, Chart 2 below has been prepared to provide a comparison between the delinquency totals from this quarter with those provided in the previous report.

Chart 2

Comparison of Delinquencies by Quarter					
	Health	Employer	Member	Other	Totals
FY 2010-11 Second Quarter	\$280,901	\$753,978	\$674,420	\$36,242	\$1,745,541
FY 2010-11 Third Quarter	\$459,606	\$1,274,145	\$675,690	\$38,185	\$2,447,626
Change (\$)	\$178,705	\$520,167	\$1,270	\$1,943	\$702,085
Change (%)	63.62%	68.99%	.19%	5.36%	40.22%

( ) denotes a negative value

It is important to note that CalPERS collects approximately \$985 million in receivables monthly. The current outstanding delinquencies represent less than 0.3 percent of the monthly collections.

#### **VI. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans, but is part of Fiscal Services Division's Accounting Action Plan's overall effort to improve financial integrity.

#### **VII. RESULTS/COSTS:**

Not Applicable

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DAVE G. CORNEJO, Acting Division Chief  
Fiscal Services Division

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RUSSELL G. FONG  
Acting Chief Financial Officer

Attachment